

Value-Added Enterprises for Small-Scale Farmers

Agriculture and Natural Resources Fact Sheet #518

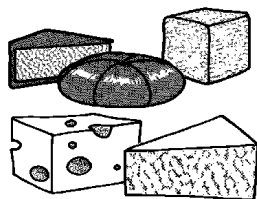
Small farmers are under tremendous pressure to develop innovative business strategies to stay afloat. Value-adding is one such strategy that is also a logical extension of many farm businesses. Farmers can work together with small-scale processing enterprises to create new markets for higher value farm products. Often, small-scale processors look to their community for local ingredients, staff, and markets. Value-adding can serve to showcase the uniqueness of communities.

What does value-added mean?

Value-added products offer a higher return, open new markets, create brand recognition and add variety to a farm operation. Adding value means consumers are willing to pay more than they would for

a raw product. Steps

taken to increase the value of a raw product occur anytime between harvesting and sales of the final product. Typical value-adding steps include washing, cutting, packaging, smoking, drying, freezing, canning or baking.



Three keys to success

Quality product

- Do some test marketing at various venues like farmers' markets, county fairs, and festivals.
- Get assistance with product development from local resources like chefs, classes, culinary colleges, freelance product developers, friends and relatives who offer feedback, independent food technology labs, and last but not least, WSU Cooperative Extension Pullman food science specialist, Richard Dougherty.
- Consider whether your product is unique enough to survive in the market.

- Be consistent with quality, supply, delivery, and service and you will foster a loyal customer base.

Good marketing

- Do market research to see if there is a market for your product.



Keep your market research simple and cost effective; make it objective (beyond friends and family); monitor repeat sales. An example is to put out samples or sell small quantities of a product for customers to try.

- Look into possibilities for distributing your product in the market. Options include selling direct (on farm or off), selling wholesale, mail order, roadside stands, internet, upscale grocers.

- Consider working with brokers or distributors once your business has expanded beyond the territory it can service.
- Also consider wholesalers. A growing number of specialty food wholesalers deal with smaller quantities.
- Think about collaborating with other small-scale processors to help promote each other's products
- Packaging is critical! Label and packaging designs represent your business, so make sure they have appeal.
- Seek out advertising and promotion opportunities that will fit within your budget. Examples include sending out samples, offering tasting opportunities, handing out sales literature, or merchandising at point-of-sales purchase locations.

Sufficient capital

- Start small. Invest ingenuity first, labor second, and money third.
- Keep your day job. You will need an independent source of income to cover your costs for at least the first three to five years.
- Research regulations at the beginning because they may add costs.

Value-adding offers farmers the potential to recapture a larger share of the food dollar.

Caution: No Guarantees

Value-adding offers no guarantee to profitability. Though more money may be coming in, more time and resources are also going out. Careful planning and management are necessary to promote profitability.

- Reduce capital costs by borrowing equipment, buying used equipment, sharing resources with other small-scale enterprises, or using community food processing incubators.
- Save on labor costs in the beginning by seeking help from family and friends, but consider hiring outside labor later on.
- Develop a business plan, one that includes plans for financing future expansion of your business.

Other qualities of success for value-added enterprises as described by successful processors are:

- A unique product.
- An enthusiastic promoter of the product.
- The right kind of labeling and packaging.
- Aggressive marketing.
- A full-time presence on the farm.
- Strong agricultural or livestock knowledge.
- Ability to cater to customers.
- Assistance from agencies and universities.
- A strong relationship with the local community.
- Having vision, taking risk, believing in yourself.

Food safety and liability

Safe food handling is crucial to effectively marketing a product and maintaining a trustworthy reputation. Food safety regulations are in place not only to protect consumers' health but to prevent businesses from being destroyed by a consumer getting ill from their product.

Regulations are complex and can frustrate processors. All small businesses must comply with federal, state, and local laws and regulations. As a general guideline to help you get started with regulation compliance, **wholesale** (selling products to retailers) enterprises are directed to WSDA and **retail** (selling products directly to consumers) operations in King County should contact Seattle-King County Department of health. See *Resource* section for contact information.

Hint: Contact WSU Extension food science specialist, Dick Dougherty (509-335-0972) for guidance on packaging, labeling, and other food safety concerns.

Product liability insurance is necessary because most value-added products are not covered under general farm policy programs. Be sure to have this protection from the beginning, even if you are just handing out samples. Contact an insurance agent for advice.

Green light...

If you have identified some underutilized physical or by-product resources, untapped management and labor resources, promising market opportunities, and significant financial resources, you are in an excellent position to start a new enterprise.

—*Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm-Based Enterprises*, NRAES

Food for thought

Coming up with ideas for valued added enterprises can be very rewarding. The idea is to mix and match underutilized physical, labor, and management resources with potential markets and potential uses for farm by-products.

- Talk with nonfarm friends, Cooperative Extension agents and specialists, lenders, coworkers, and people in both urban and rural areas for their input.
- Ask current buyers if they have any unfulfilled demands.
- Visit upscale grocery stores and gift shops.
- Look at mail order catalogs.
- Read agriculture magazines, food magazines, and trade journals.
- Read the food section of your daily newspaper.
- Talk to other farmers about what they have heard other farmers are doing.
- Keep your eyes, ears, and mind open to new ideas.



A few value-added idea to help you grow your own...

braided garlic
cheese
chutneys
cut flowers
dried flowers
dried fruit
dried gourds
dried mushrooms
dried whole or processed herbs
dry mixes
free range eggs
herbal products (soaps, lotions, oils, etc.)
honey
meal or recipe "kits" (e.g., salsa "kits," pesto "kits")
mixed salad greens
organically grown products
pasteurized milk
pastured lamb, beef, pork
pastured poultry
pesto
pickles
pie filling
preserves
pre-washed lettuce, spinach, arugula etc.
salsa
sauces
vinegars
wreaths

Resources

DownHome Washington Marketing Association is a technical assistance, training, and marketing association for *home-based* businesses in the state of Washington. The program is designed to provide the home-based business person with expertise and support that leads to a successful enterprise, self sufficiency and growth. Contact information: 728 134th Street SW, Everett, Washington 98204; Phone: 425-743-9669 or 425-353-2025; e-mail: snopic@gte.net; web: <http://www.downhomewa.com/>.

Washington Manufacturing Services (WMS) is a not-for-profit organization created to deliver affordable engineering, operational, marketing, and human resource consulting services to Washington State manufacturers. WMS has a state-wide network of experienced Project Managers who work with firms to identify and complete projects that will improve quality, productivity, and profitability. Contact information: 800-637-4634; web: <http://www.tecnet.org/wms>

Wolf Pack Specialty foods processor (thermal processing). 14811 Moonlight Dr, Gold Bar, WA 98251-0264; (360) 793-2988.

Green Garden Food Products Incorporated processes dressings, sauces, mayonnaise, potato products, etc. for small and large enterprises. 5851 S 194th St, Kent, WA 98032-2198; (253) 395-4460.

Industrial Skills is a new (scheduled to open in 1999) commercial kitchen for packaging small batch value-added products. The facility is capable of vinegar, oil and low-acid processing and packaging, and, in the future, hot processing as well. Located in Enumclaw, the facility includes a 2000 sq. ft. cooler for storing product before or after processing. For more information call Pamela Aldrige, Executive Director and Project Manager (360) 825-7744 or (253) 852-3650; 911 Battersby, Enumclaw, WA 98022.

Seattle-King County Department of Public Health, Food Protection Program, 999 3rd Ave, Suite 700, Seattle, WA 98104-4099; (206) 296-4781.

Washington State Department of Agriculture (WSDA), Food Safety Program (360) 902-1876. A live person can answer questions about regulations for food processing and can send a licensing information packet.

WSU Cooperative Extension, Department of Food Science, PO Box 646376, Pullman, WA, 99164-6376. Food Science Specialist, Richard Dougherty, (509) 335-0972; email: dougherty@wsu.edu.

Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm-Based Enterprises. NRAES. Cornell University. Ithaca, NY Available for \$8.00 plus \$3.50 shipping from: NRAES, Cornell University, 152 Riley-Robb Hall, Ithaca, NY 14853; (607) 255-7654.

This guide is written for those interested in developing a new farm-based enterprise, especially those considering nontraditional enterprises.

Sources

This fact sheet is based largely on two publications:

Markley, K. and D. Hilchey. 1998. *Adding Value for Sustainability: A Guidebook for Cooperative Extension Agents and Other Agricultural Professionals*. Pennsylvania Association for Sustainable Agriculture (PASA). Milheim, PA.

Northeast Regional Agricultural Engineering Service (NRAES). 1991. *Farming Alternatives: A Guide to Evaluating the Feasibility of New Farm-Based Enterprises*. NRAES. Cornell University. Ithaca, NY.

**Alternate formats available upon request.
Call 206-205-3100 or TTY 711.**

No endorsement is intended of any businesses listed in this fact sheet, nor is criticism of unnamed businesses implied.

Written by [Sylvia Kantor](#), WSU Cooperative Extension King County, 1999.

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